



State of Utah

DEPARTMENT OF NATURAL RESOURCES
DIVISION OF STATE LANDS AND FORESTRY

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May 17, 1994

CERTIFIED MAIL NO. P 051 448 237

J&J Masonry Supply Co.
c/o Gilbert Jennings
180 North 300 East
St. George, UT 84770

Dear Mr. Jennings:

RE: ML 18847 Volcanic Material
Section 2, T28S R9W, SLB&M; Beaver County

The terms and conditions of the above-numbered lease and the rules of the division require that upon submitting a notice of intent to commence mining the Lessee shall, upon Lessor's request, post a bond with the division. A bond is required primarily to ensure the reclamation of mined land disturbances but shall also be conditioned upon the payment of rentals and royalties which may become due the state.

Division records indicate that in 1981 a notice of intent to disturb at least two acres of land was submitted and that mining has occurred under this lease. You presently have a \$5,000 bond on file with the division. Rules and regulations of the division require a bond of not less than \$5,000 per acre and you are requested to immediately submit an additional surety bond in the amount of \$5,000 using the enclosed surety bond form, or to submit a bond rider to increase the amount of your bond to \$10,000. In-lieu of a surety bond you may submit a short term renewable certificate of deposit with a Utah banking institution, providing the division is listed as a co-owner of the CD.

Also, the terms and conditions of the lease require that production be reported monthly and that royalty be paid upon the leased substances that are mined and removed from the leasehold not later than the last day of the month following the month in which the production occurred. Division rules require that interest be paid upon delinquent royalty at the average adjusted prime rate plus 4%, compounded annually.

Sen Carver
0007

*nothing under
these legals
for J&J
masonry*

*they have other
projects, but
not close to this*

*John sent them a
form w/ this
letter*



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Gilbert Jennings-Letter
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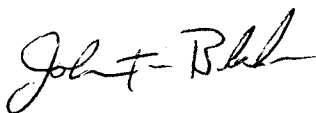
Division records indicate that production reports and royalty payments have not been received for this lease. This lease is beyond its primary term and may only be extended on an annual basis by commercial production. I am enclosing the division's production report form for volcanic materials. Please immediately report production which has occurred under the lease and submit your royalty payment at the rate specified in the lease agreement, plus any interest payment which may be due the state.

Finally, state law requires you to advise the Utah Division of Oil, Gas & Mining (DOGM) of your mining operation. In the event you have not yet filed with DOGM I am enclosing the appropriate forms.

Failure to comply with these requests within the next 30 days may subject the lease to cancellation pursuant to Article XIX of the lease agreement.

Thank you for your cooperation. Please call me if you have any questions.

Sincerely,



JOHN T. BLAKE
MINERAL RESOURCES SPECIALIST

JTB/tdw

cc: Wayne Hedberg